

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:5109

ANSWERED ON:29.04.2008

PRICE RISE

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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) Whether the consumer price index (CPI) is continuously rising in view of the increasing index of wholesale price (WPI) during the year 2008 in comparison to 2007;
- (b) If so, the details of percentage along with the criteria to calculate the indices separately;
- (c) the details of items included for calculating the said indices;
- (d) the contribution of food, manufacturing and service sector to this increase;
- (e) whether there is any possibility of price decrease in the food sector after the new crops in April 2008 in the country;
- (f) if so, the details thereof; and
- (g) the steps taken by the Government to check the rising trend in consumer price.

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b): Presumably, the Hon'ble Member, in part (a) of the question, is referring to the Consumer Price Index for Industrial Workers (CPI-IW). For the year 2008, the CPI-IW is available, so far, only upto February 2008. The CPI-IW for the months from January 2007 to February 2008, changes in index over previous months and rate of inflation (CPI) on a point to point basis in comparison with similar information based on Wholesale Price Index (WPI) are given below:

Months	CPI-IW WPI					
	Index Change over previous month (%)			Rate of Inflation on a point Index Change over previous month (%)		
	to point basis	(%)	to point basis	to point basis	(%)	to point basis
January-07	127	0.00	6.72	208.8	0.19	6.37
February-07	128	0.79	7.56	208.9	0.05	6.36
March-07	127	-0.78	6.72	209.8	0.43	6.61
April-07	128	0.79	6.67	211.5	0.81	6.28
May-07	129	0.78	6.61	212.3	0.38	5.46
June-07	130	0.78	5.69	212.3	0.00	4.53
July-07	132	1.54	6.45	213.6	0.61	4.71
August-07	133	0.76	7.26	213.8	0.09	4.14
September-07	133	0.00	6.40	215.1	0.61	3.51
October-07	134	0.75	5.51	215.2	0.05	3.11
November-07	134	0.00	5.51	215.9	0.33	3.25
December-07	134	0.00	5.51	216.4	0.23	3.84
January-08	134	0.00	5.51	218.1	0.79	4.45
February-08	135	0.75	5.47	218.4	0.14	4.55
March-08			223.2	2.20		6.39

Note: The Wholesale Price Indices for the Months of February & March 2008 are Provisional and the Consumer Price Indices for the Months of January 2008 and February 2008 are Provisional

Rate of inflation represents percent change in index in the current period compared to the index for the corresponding month of the previous year.

The difference in the changes in indices and in the inflation rates between WPI and CPI-IW reflect differences in the base year, commodity basket and weights for the commodities in the respective indices.

(c) : The CPI-IW are compiled on the basis of group specific consumer expenditures, which include expenditure on:

II - Pan, Supari, Tobacco & Intoxicants,
III - Fuel & Light,
IV - Housing,
V - Clothing, Bedding and Footwear, and
VI - Miscellaneous such as Medical care, Education, Recreation & Amusement, Transport & Communications,
Personal Care & Effects and Others.

The Wholesale Price Index is an economy-wide index with weights based on value of quantities of commodities traded in the domestic market. It is a more comprehensive measure of economy-wide inflation available with high frequency.

(d) : Within the above framework, the CPI-W is based on a much larger weight of 46.20% for food compared with the weight of 15.40% in WPI.

(e) & (f): Market forces of demand and supply, among others, are major factors having significant impact on prices. With the prospects for new crops in April 2008 being bright, the resultant domestic supply position of agricultural commodities is expected to dampen the domestic prices.

(g): The price situation in the economy is closely monitored by the Government and suitable measures are taken, as and when necessary, to maintain price stability in the economy. The measures, inter-alia, include:

(1) Various Fiscal and Administrative measures relating to imports and exports of edible oils, wheat, rice, pulses, cement and steel;

(2) The RBI, as part of demand management measures has increased Cash Reserve Ratio (CRR) from 75% to 8.0%.